

Message Text

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ACTION STR-02

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C O N F I D E N T I A L GENEVA 13762

LIMDIS

USMTN

USEEC

PASS STR ELECTRONICALLY FOR AMBASSADOR WOLFF FROM MCDONALD

E.O. 11652: GDS
TAGS: ETRD, MTN
SUBJECT: COUNTERVAILING WAIVER

REF: A) STATE 231276; B) GENEVA 11577

1. WE HAVE ALREADY OBTAINED FROM THE EC THE FOLLOWING
WHICH SHOULD BE USEFUL IN SEEKING A WAIVER EXTENSION:

A. AGREEMENT IN THE FRAMEWORK OF UNDERSTANDING IN
AGRICULTURE TO CLARIFY THE PROVISIONS OF ARTICLE XVI.
THE VALUE OF THIS COMMITMENT WAS CERTAINLY UNDERLINED
BY THE EXTREMELY STRONG NEGATIVE RESPONSE FROM FRANCE
AND THEIR MANEUVERINGS IN BONN TO CIRCUMVENT IT.

B. A COMMITMENT FROM GUNDELACH TO STRAUSS TO STRIVE
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FOR SPECIFIC AGRICULTURAL CONCESSIONS THAT FALL WITHIN
WHAT STRAUSS CONSIDERS POLITICALLY ACCEPTABLE.

C. A CONSCIENTIOUS EFFORT UNDERWAY FOR THE PAST SIX
MONTHS TO DEVELOP A SUBSIDIES CODE WITH INITIAL DRAFTS
NOW CIRCULATED IN AUGUST BY THE GATT TO ALL MTN PARTICI-
PANTS.

2. IT IS UNLIKELY THAT THE EC CAN PROMISE MORE WITHOUT ENDANGERING THE ABOVE COMMITMENTS OR THE PROSPECTS FOR A POSITIVE OVERALL RESULT. AS A PRACTICAL MATTER, ACCORDING TO SIR ROY DENMAN, THEY CANNOT DEAL WITH SUBSIDIES ALONE ANY MORE THAN WE CAN DEAL WITH SAFEGUARDS ALONE, FOR EXAMPLE.

3. IF A STRAIGHT WAIVER EXTENSION APPEARS UNDOABLE, CAN THE U.S. STILL REMOVE THIS NEGATIVE CLOUD THAT JEOPARDIZES THE NEGOTIATIONS BY ONE OF THE FOLLOWING?

A. A CONDITIONAL EXTENSION DEPENDENT UPON THE PRESIDENT FORMALLY PROPOSING A SUBSIDY CODE TO CONGRESS WITHIN SIX MONTHS AFTER JANUARY 4, 1979.

B. A SUSPENSION OF COLLECTIONS LINKED TO CONGRESSIONAL APPROVAL OF THE MTN PACKAGE NEXT YEAR THAT IN EFFECT MAKES THE NEW CODE OPERATE RETROACTIVELY FROM THE PRESENT WAIVER TERMINATION DATE.

C. AN AGREEMENT BY CONGRESSIONAL LEADERS NOT TO CONTEST A DISCRETIONARY SUSPENSION OF LIQUIDATION ON WAIVER ITEMS BY THE ADMINISTRATION UNTIL TRADE LEGISLATION COVERING THE TOKYO ROUND CAN BE ACTED UPON BY CONGRESS.

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4. REGRETTABLY, AS SUGGESTED REFTEL B, CVD CASES IN THE EC HIT PARTICULARLY HARD THE MEMBER STATES WE NEED FOR SUPPORT AND AID THE UNDERMINING EFFORTS OF THOSE WHO WOULD LIKE TO SEE THE AGRICULTURAL NEGOTIATIONS ABORTED.

5. AS ANOTHER PLUS BEYOND THE EC DISCUSSIONS, RECENT TALKS IN WASHINGTON WITH BRAZIL INDICATE AN IMPORTANT SHIFT IN THEIR POSITION THAT MIGHT CONTRIBUTE TO A STRONGER FINAL CODE.

6. FINALLY, THE WORK PROGRAM LAID OUT FOR THIS FALL, WHICH ANTICIPATES AT LEAST FOUR FORMAL GATT SUBGROUP MEETINGS ON SUBSIDIES BEGINNING WITH THE SESSION ON SEPT 18, PROVIDES THE BEST ENVIRONMENT FOR OBTAINING A SUCCESSFUL CODE THAT WE HAVE HAD IN THE FOUR YEARS SINCE THE WAIVER WAS FIRST GRANTED. MCDONALD

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